

PUBLIC DISCLOSURE

December 2, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WORCESTER CREDIT UNION

**520 WEST BOYLSTON STREET
WORCESTER, MA 01606**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Worcester Credit Union (or the Credit Union prepared by the Division, the institution's supervisory agency).

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The Credit Union's composite rating of "Satisfactory" is based upon three performance criteria. The institution is adequately returning deposits to its membership in the form of loans. This is indicated by an average loan-to-share ratio of 67.1 percent for the period December 31, 2001 through September 30, 2003, this performance is considered to be satisfactory. A review of the Credit Union's mortgage and consumer loans revealed that the distribution of loans to members of different income levels, particularly to those of low and moderate-income levels, is also deemed satisfactory. No CRA-related complaints have been received since the previous examination. Finally, a review of the Credit Union's fair lending policies and procedures revealed no evidence of discriminatory or illegal credit practices.

PERFORMANCE CONTEXT

Description of Institution

Worcester Credit Union was originally a state-chartered industrial credit union named Worcester Municipal Credit Union, incorporated under the laws of the Commonwealth of Massachusetts on March 2, 1934. In March of 1994, the Credit Union dropped its original state charter and converted to a Federal charter changing its name to Worcester Municipal Federal Credit Union. On November 12, 1998, Worcester Municipal Federal Credit Union merged with Worcester County Employees Credit Union. The state charter of Worcester County Employees Credit Union was retained and the name of the merged credit union is currently Worcester Credit Union. In August of 2000, the Credit Union's charter was changed to a community credit union designation.

Membership in the Worcester Credit Union is limited to:

- Individuals who work or reside in the City of Worcester or contiguous towns, which include Auburn, Boylston, Grafton, Holden, Leicester, Millbury, Paxton, Shrewsbury and West Boylston.

- Individuals who are federal, state, or municipal employees who work in Worcester County;
- Elected or appointed officials of federal, state or municipal bodies or agencies in Worcester County;
- Employees of private school systems or regional school systems in Worcester County;
- Organizations composed principally of members who are eligible for membership in the credit union, including municipal bodies or agencies in Worcester County;
- Employees of the Credit Union and individuals;
- Individuals who are retired from the above employment or elected or appointed positions and families of members are also eligible for membership. The word “family” means parents, spouse, siblings, and children of a member.

The Credit Union has one full service office located at 520 West Boylston Street, in Worcester, Massachusetts. Office hours are 8:30am to 4:30pm on Monday, Tuesday, Wednesday, and Thursday, with extended hours to 7:00pm on Friday. In addition, the Credit Union maintains drive-up hours, 7:30am to 5:00pm Monday to Thursday, 7:30am to 7:00pm on Friday and 8:00am to 12:00pm on Saturday. In August of 2000, the Credit Union closed its office at 37 Highland Street, Worcester, Massachusetts. This office was the former office of the Worcester County Employees Credit Union and offered limited service. No offices have been opened the last CRA examination.

The Credit Union offers its members a full range of credit and deposit services including checking accounts, ATMs (linked to “NYCE”, “Cirrus” and SUM networks), debit cards (Visa Check Card), and term certificates. The types of credit offered by the Credit Union consist of first and second real estate mortgages; home equity lines of credit; new and used automobile loans; personal unsecured loans; education loans; Visa credit card and share secured loans. Periodically the Credit Union offers special mortgage programs and reduced rate consumer loans. In addition, the Credit Union offers 24-hour telephone banking to its members that enables them to do account inquiries, transaction histories, and transfer payments to loan accounts. This service is available to Credit Union members in both English and Spanish. The Credit Union provides members with direct deposit for payroll and automatic payroll deduction for loan payments. The Credit Union offers free home banking and bill payment services through the Internet (www.worcestercu.com) this service allows members to pay bills, transfer funds, and check balances.

As of September 30, 2003, the Credit Union had total assets of \$72.4 million. The Credit Union has a net loan to share ratio of 57.9 percent. The Credit Union has 37.5 percent of its loan portfolio in the form of first mortgage real estate loans and 22.4 percent in the form of second mortgages and home equity loans. The remaining loan portfolio consists of new and used automobile loans, and personal unsecured loans.

Refer to the following table for details.

Loan Portfolio as of September 30, 2003

Type of Loans	\$(000)	% total
Loans Secured by Real Estate		
a. First Mortgage Real Estate Loans	14,064	37.5
b. Other Real Estate Loans/Lines of Credit	8,408	22.4
Consumer Loans		
a. Unsecured Credit Card Loans	77	0.2
b. All Other Unsecured Loans/Lines of Credit	5,244	14.0
c. New Vehicle Loans	2,697	7.2
d. Used Vehicle Loans	6,686	17.8
Other Loans	346	0.9
Total Loans	37,522	100.0

Source: Statement of Financial Condition as of 9/30/03

Parity Powers

Worcester Credit Union received approval from the Division to engage in certain activities authorized under the "Parity with Federal Credit Union Regulations", 209 CMR 50.00. The parity powers that may impact Worcester Credit Union's CRA performance are as follows:

- The credit union is authorized to offer consumer loans up to \$15,000 for a term up to 12 years pursuant to 209 CMR 50.06(3)(e); and
- Automobile loans in an amount up to 100% of the value up to \$60,000 of the full sales price for a term up to 12 years pursuant to 209 CMR 50.06(3)(f); and
- Residential first lien mortgage loans up to \$500,000 for a term up to 40 years pursuant to 209 CMR 50.06(3)(j); and
- 95% loan to value for residential mortgage loans pursuant to 209 CMR 50.06(3)(k) (approved December 15, 2000)
- The credit union is authorized to invest in or lend to community development loan pools, pursuant to the provisions of 209 CMR 50.06(3)(d)2. (approved July 3, 2001)
- Automobile loan financing on an indirect basis up to 100% of the value of the collateral up to \$60,000 for a term up to 12 years pursuant to 209 CMR 50.06(3)(f); and

- Purchase and sale of loan portfolios pursuant to 209 CMR 50.06(3)(1). (approved January 17, 2002)

Worcester Credit Union was last examined for compliance with CRA by the Division on August 18, 1999, which resulted in a CRA rating of “Satisfactory”.

Description of Assessment Area

The Credit Union has defined its assessment area as the City of Worcester and is located in the Worcester Metropolitan Statistical Area.

Assessment Area Demographics

According to 1990 US Census Data, the City of Worcester has a population of 169,759 and a total of 69,336 housing units. Of the total housing units, 27,656, or 39.9 percent are owner occupied, 39,532 or 57.0 percent are rental units, and 5,452, or 7.9 percent are vacant housing units. The average median housing value for the assessment area is \$126,355. In addition, 9,388, or 14.0 percent of the total number of households in the assessment area are living below the poverty level.

In total, there are 41 census tracts within the Credit Union’s assessment area: 6 that are designated as low-income, 11 designated as moderate-income, 20 designated as middle-income, 3 designated as upper-income and 1 designated as N/A. The N/A census tract located in Worcester has only 5 housing units and contains the campus of Clark University.

Change in Demographics-2000 Census Information

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of Worcester Credit Union’s assessment area by census tract income groupings. In addition, the percentage change in the number of census tracts by income grouping is also reflected.

Change in Assessment Area Demographics					
Census Tracts	1990 Census Data		2000 Census Data		% Change in Number of Census Tracts
	#	%	#	%	
Low	6	15.0	10	24.0	66.7
Moderate	11	27.0	13	32.0	18.2
Middle	20	49.0	16	39.0	-20.0
Upper	3	7.0	2	5.0	-33.3
NA	1	2.0	0	0.0	-100.0
Total	41	100.0	41	100.0	0.0

Source: PCI Services, Inc., CRA Wiz Software.

The 6 low-income census tracts in Worcester according to the 1990 census data increased to 10 or 66.7 percent according to the 2000 census data. The 11 moderate-income census tracts in Worcester increased to 13 or 18.2 percent. Conversely, the 20 middle-income census tracts in Worcester according to the 1990 census data decreased to 16 or –20.0 percent according to the 2000 census data. In addition, the 3 upper-income census tracts decreased to 2 or –33.3 percent. Overall, the number of census tracts remained the same at 41; however, the number of low and moderate-income census tracts increased substantially.

According to 2000 census data, in Worcester Credit Union's assessment area, there are 70,723 housing units within the assessment area, of which 41.1 percent are owner-occupied, 56.6 percent are rental units and 5.2 percent are vacant housing units. One to four family properties comprise 73.6 percent of the total housing units. The median home value of the assessment area is \$112,191 based on 2000 US Census Data.

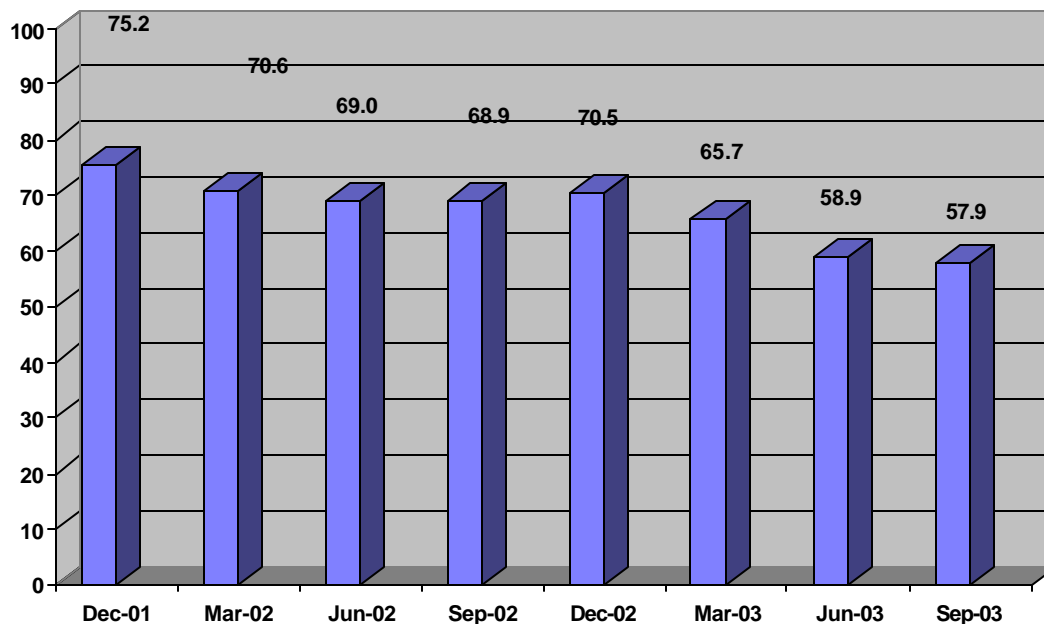
PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

A comparative analysis of Worcester Credit Union's quarterly net loan-to-share and deposit ratios for the period of December 31, 2001 through September 30, 2003 was conducted during this examination. The graph below depicts the ratio had decreased steadily for the period under review. Using the credit union's quarterly 5300 Reports, the average net loan-to-share ratio for this period was 67.1 percent. This ratio is based on loans net of the allowance for loan losses as a percentage of total shares and deposits.

The following graph is provided for further analysis.

**WORCESTER CREDIT UNION
NET LOAN-TO-SHARE/DEPOSIT RATIO
December 31, 2001 TO September 30, 2003**



A comparison of the net loan-to-share and deposit ratio of three other credit unions of similar type was also conducted. The institutions' net loan-to-share and deposit ratios ranged from a high of 69.3 percent to a low of 57.9 percent for September 30, 2003. The following table provides the net loan-to-share and deposit ratios for the credit unions. The ratios shown are calculated from the NCUA's Call Report data for September 30, 2003. The institutions are listed with the net loan-to-share and deposit ratios in descending order:

Comparative Net Loan-To-Share and Deposit Ratio Analysis

CREDIT UNION	NLTD RATIO
Leominster Credit Union	69.3%
Grafton Suburban Credit Union	61.3%
AllCom Credit Union	59.5%
Worcester Credit Union	57.9%

Net loans have decreased overall by approximately -8.3 percent from December 31, 2001, to September 30, 2003. Deposit growth has increased by approximately 19.1 percent for the same period. Loan and deposit figures as of September 30, 2003, revealed that the overall deposit growth has significantly out paced net loan growth. The deposit growth in share and deposit accounts is attributed to the down turn in the stock market, the bank

merger activity in the area that created large regional banks, and the attractiveness of the Credit Union's share and deposit accounts. Conversely, the Credit Union has experienced negative loan growth for the period under review in part because, the Credit Union sells loans to PHH Mortgage Services of Mt. Laurel New Jersey, a Massachusetts Licensed Lender. In 2002, the Credit Union sold 39 loans totaling \$5,210,595 and for YTD September 30, 2003 16 loans were sold totaling \$1,909,030. In addition, on June 30, 2003 the Credit Union sold its entire Visa portfolio for \$1.7 million. Finally, the Credit Union was unable to capitalize on the mortgage refinance boom due to tremendous competition and marketing efforts from larger banks and national mortgage companies.

Based on the above information and the Credit Union's capacity to lend, the capacity of other similarly-situated credit unions to lend to their members, the types of loans available at the Credit Union, and the lending opportunities available for its membership, the credit union's loan-to-share and deposit ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Worcester Credit Union's 2002 and year-to-date September 30, 2003 Loan Application Registers (LARs) were reviewed to determine the amount of Home Mortgage Disclosure Act (HMDA)-reportable loans originated. During this period, the Credit Union originated 138 loans totaling \$15.6 million. Of these loans, 94 or 68.1 percent of the number and \$9.9 million or 63.8 percent of the dollar volume were originated within the credit union's assessment area. It should be noted that Worcester is the only city within the credit union's assessment area and accounted for all the lending activity inside the assessment area.

Refer to the following table for additional information regarding the credit unions HMDA-reportable lending, by both number and dollar volume.

Distribution of HMDA-Reportable Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	59	69.4	6,284	64.5	26	30.6	3,466	35.5
YTD 2003	35	66.0	3,635	62.6	18	34.0	2,172	37.4
Total	94	68.1	9,919	63.8	44	31.9	5,638	36.2

Source: CRA Wiz

A review of the Credit Union's consumer loans for 2002 and YTD September 30, 2003 was also performed. The analysis of consumer loans indicated that the Credit Union granted 1,442 consumer loans for 2002, of these a sample of 25 loans was reviewed. Through September 30, 2003 the Credit Union granted 976 consumer loans, of these a sample of 25 was also reviewed. Of the 50 loans reviewed, 34 or 68.0 percent were originated within the Credit Union's assessment area.

An additional review of the total dollar amount of consumer loan originations for the same period was also reviewed. The Credit Union granted a total of \$26,783,000 in consumer loans during this period. A sample of the originated loans was taken that totaled \$ 1,437,000 and of these loans, \$1,068,000 or 74.3 percent were originated within the Credit Union's assessment area.

Refer to the following table for additional information.

Distribution of Consumer Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	18	72.0	645,000	76.0	7	28.0	204,000	24.0
2003 YTD	16	54.0	423,000	71.9	9	36.0	165,000	28.1
Total	34	68.0	1,068,000	74.3	16	32.0	369,000	25.7

Source: Credit Union consumer loan files

Based on all of the above information, it is evident that a majority of the number and dollar amount of the Credit Union's loans have been extended within its assessment area. Therefore, the institution's level of lending within its assessment area meets the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of the distribution of mortgage loans, home improvement loans, and consumer loans extended within census tracts of various income levels was conducted during the examination. Originations were categorized by the ratio of the applicant's reported income to the 2002 and 2003 median family incomes of the Worcester Metropolitan Statistical Areas (MSA). The median income for the Worcester MSA was \$58,400 for 2002 and \$68,000 for 2003. These income figures are based on estimated Department of Housing and Urban Development (HUD) information

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

HMDA-Reportable Loans:

The following table shows the number of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group. In addition, the distribution of the Credit Union's loans among various borrower income levels was compared to that of all other HMDA-reporting lenders in the assessment area. The most recent data available for this analysis relates to calendar year 2002. Refer to the following tables for details.

<i>Distribution of HMDA loans by Borrower Income</i>				
<i>Median Family Income Level</i>	<i>% Total Households Per 1990 Census Data</i>	<i>Aggregate Lending Data (% of #)</i>	<i>2002</i>	
	<i>2002</i>	<i>2002</i>	<i>#</i>	<i>%</i>
Low	32.8	4.1	2	3.4
Moderate	16.7	18.1	8	13.6
Middle	20.1	29.9	18	30.5
Upper	30.4	32.8	27	45.8
N/A	0.0	15.1	4	6.7
Total	100.0	100.0	59	100.0

Source: 1990 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

During 2002, the Credit Union extended 2 loans to low-income borrowers representing 3.4 percent of the total loans originated within the assessment area. This is well below the 32.8 percent of low-income households within the assessment area and below the aggregate lenders 4.1 percent. However, this is reasonable based on the price of housing in the assessment area and the overall market conditions which make credit opportunities for low-income borrowers limited.

In 2002, the Credit Union originated 8 loans to moderate-income borrowers, representing 13.6 percent of the total originations within the assessment area. This percentage is below the 16.7 percent of moderate-income households within the assessment area and the aggregates' 18.5 percent.

The following table compares the Credit Union's year-to-date September 30, 2003 borrower income distribution to the distribution of family households within the assessment area.

<i>Distribution of HMDA loans by Borrower Income</i>			
<i>Median Family Income Level</i>	<i>% Total Households per 2000 Census Data</i>	<i>Year-to-date 2003</i>	
		<i>#</i>	<i>%</i>
Low	34.3	0	0.0
Moderate	18.7	11	31.4
Middle	18.8	11	31.4
Upper	28.2	13	37.2
N/A	0.0	0	0.0
Total	100.0	35	100.0

Source: 2000 U.S. Census, HMDA/LAR.

In 2003, the Credit Union extended no loans to low-income borrowers. However, this can be attributed to the fact that approximately 16 percent of these individuals are living below the poverty level. In addition, the price of purchasing a home in this market makes it difficult for a low-income individual to qualify for a home loan and the fact that 56.6 percent of the housing stock is rental units.

In 2003, the Credit Union originated 11 loans to moderate-income borrowers, representing 31.4 percent of the total originations within the assessment area. This percentage is well above the 18.7 percent of moderate-income households within the assessment area. This distribution of lending demonstrates the Credit Union's willingness to lend to borrowers of all incomes including moderate-income borrowers.

An analysis of consumer loans extended within the various income levels throughout the assessment area was also conducted during the examination. The review of sampled loans indicated that 5.9% of the loans were to low-income borrowers, and 35.3% were to moderate-income borrowers. The majority of consumer loans are generally to single applicants, and this was the case with most of the loans in the sample. Of the 34 loans sampled for applicant income purposes, approximately 21 or 61.8 percent relied on one applicant's income to qualify the borrower. The percentage of originations occurring in low and moderate-income levels is greater than what would be expected of residential mortgage originations, where the income is usually the result of joint combined incomes.

Refer to the following table for further analysis.

CONSUMER LOAN SAMPLE BY NUMBER BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	2002		YTD 2003		TOTAL	
	#	%	#	%	#	%
< 50%	2	11.1	0	0.0	2	5.9
50 – 79%	5	27.8	7	43.8	12	35.3
80 – 119%	4	22.2	5	31.2	9	26.5
120 +	7	38.9	4	25.0	11	32.3

TOTAL	18	100.0	16	100.0	34	100.0
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Source: Credit Union consumer loan files

The review of the distribution of credit to borrowers of various incomes reflects a satisfactory penetration among individuals of different income levels, when comparing the income characteristics to the demographics of the assessment area, including those of low and moderate-income. Therefore, the distribution of credit among different income levels meets the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The table below shows the number of HMDA reportable loans in comparison to the number of owner-occupied housing units in each census tract. In addition, the credit union's HMDA reportable loans were compared to that of all other HMDA-reporters in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2002. Refer to the following table for details.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>				
<i>Census Tract Income Level</i>	<i>% Total Owner- Occupied Housing Units per 1990 Census Data</i>	<i>Aggregate Lending Data (% of #)</i>	<i>2002</i>	
		<i>2002</i>	<i>#</i>	<i>%</i>
Low	2.8	4.2	0	0.0
Moderate	15.2	18.5	5	8.5
Middle	69.5	64.6	45	76.3
Upper	12.5	12.7	9	15.2
N/A	0.0	0.0	0	0.0
Total	100.0	100.0	59	100.0

Source: 1990 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

As shown in the above table, there were no loans granted within low-income census tracts for the period under review. The 8.5 percent of the loans originated within the moderate-income census tracts is lower than the 15.2 percent of owner-occupied housing units in the assessment area and the 18.5 percent for the aggregate lending. In addition, the above data shows that the number of loans in middle-income census tracts is higher than the percentage of owner-occupied housing units in these areas and greater than the aggregate lending.

The following table compares the Credit Union's 2003 geographic lending distribution (through September 30, 2003) of owner occupied units based on 2000 Census data.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>			
<i>Census Tract Income Level</i>	<i>% Total Owner-Occupied Housing Units per 2000 Census Data</i>	<i>year-to-date 2003</i>	
		#	%
Low	6.7	0	0.0
Moderate	25.8	7	20.0
Middle	56.5	26	74.3
Upper	11.0	2	5.7
N/A		0	0.0
Total	100.0	35	100.0

Source: 2000 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

As shown in the above table no loans for the period under review were originated within the Credit Union's 10 low-income census tracts. Twenty percent of the loans originated within the moderate-income census tracts is lower than the 25.8 percent of owner-occupied housing units in the assessment area. In addition, the above data shows that the number of loans in middle-income census tracts is significantly higher than the percentage of owner-occupied housing units in these areas and the upper-income loans are lower than the percentage of owner-occupied housing units.

Further, an analysis of the sampled consumer loans extended within the various census tracts contained within the assessment area for 2002 and year-to-date September 30, 2003 was also conducted. The Credit Union originated 20.6 percent in moderate-income tracts, 67.7 percent in middle-income tracts and 11.7 percent in upper-income census tracts. No loans were originated in the Credit Union's low-income census tracts.

Refer to the following table for additional information.

CONSUMER LOAN SAMPLE BY NUMBER CENSUS TRACT

CENSUS TRACT	2002		YTD 2003		TOTAL	
	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0
Moderate	4	22.2	3	18.8	7	20.6
Middle	12	66.7	11	68.8	23	67.7
Upper	2	11.1	2	12.4	4	11.7
TOTAL	18	100.0	16	100.0	34	100.0

Source: Credit Union consumer loan files

Although the geographic distribution of loans by census tracts demonstrates an uneven dispersion, there are several reasons that exist to more fully explain the low number of loans originated in low and moderate-income tracts. The mitigating factors that contribute to this are, that only 2.8 percent of the housing units are owner-occupied properties, there are no outside loan originators, and the strong competition in Worcester.

Based on the above information, the Credit Union's performance in this criterion is deemed to meet the standards for a satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

REVIEW OF COMPLAINTS

A thorough review of Worcester Credit Union's public comment file revealed that the Credit Union received no complaints pertaining to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Detailed below is the Credit Union's fair lending performance as it correlates to the guidelines established by the Division's Regulatory Bulletin 2.3-101. Worcester Credit Union has an informal CRA policy that addresses many of the aspects contained within the Bulletin.

Employees of the Credit Union are kept informed of most compliance, CRA, and fair lending issues. However, there is no formal training policy in effect.

The Credit Union has 21 full time male and female employees. Two employees speak Spanish.

The Credit Union's contact with its members is its primary method of outreach since its membership is broad in scope. In addition, the Credit Union's staff has developed relationships with several area organizations, which assist in its monitoring of community needs as well as informing the community of the credit services offered by the institution. For example, the Credit Union's President /CEO serves on the Board of the Worcester Community Housing Resources.

Worcester Credit Union's lending policy is reviewed annually by the Board of Directors. The policy covers general underwriting standards and includes all loan product descriptions and terms offered. The Credit Union offers its members several flexible mortgage products through its affiliation with PHH Mortgage Company. Also, Worcester Credit Union in partnership with the City of Worcester, introduced its own mortgage product, the "Worcester First Program". The city administration promotes this program to

its employees. This first time homebuyers program is for owner-occupied 1-3 family properties located in Worcester. The program offers a discounted rate at 1/8 percent below the Credit Union's regular rate, a maximum loan-to-value ratio of 95%, and expanded debt-to-income ratio as high as 40%. Borrowers must complete a Community Homebuyers workbook, and the income cannot exceed 100% of the HUD Area Median Income. The Credit Union originated one loan totaling \$142,500 for the period under review. In addition, periodically the Credit Union offers its members special purpose loan programs with preferred interest rates.

Worcester Credit Union periodically offers formal credit education to discuss its programs and services. A representative from the Credit Union appears at the new teacher orientation for the City of Worcester School department. In addition, a representative from the Credit Union attends new employee orientation meetings for the City of Worcester.

The Credit Union has implemented a second review program that requires the Operation Manager to review all denied loan applications prior to mailing the adverse action notice or informing the member of such action.

The fair lending review identified no violations of the substantive provisions of the anti-discriminatory laws and regulations.

Minority Application Flow

A review of residential loan applications was conducted in order to determine the number of applications the Credit Union received from minorities. From January 1, 2002, through September 30, 2003, the Credit Union received 102 HMDA reportable loan applications from within its assessment area. Of these, in 2002, two applications were received from Black applicants, three from Hispanic applicants, and one from an applicant with joint race. The 2002 minority applications represent 10.2 percent of HMDA reportable loans within the assessment and all applications were approved. As of September 30, 2003, two applications were received from Asian applicants, three from Black applicants, two from Hispanic applicants and two applicants with joint race representing 20.9 percent. Of the nine minority applications received, six or 66.7 percent were approved for the period ending September 30, 2003.

A review of PCI Services, Inc. CRA Wiz aggregate data of all lenders in the assessment area was done to determine minority application flow. Of the total applications taken by this group, 15.4 percent of the applications were received from minorities during 2002.

According to 1990 Census Data, the Credit Union's assessment area contained a total population of 169,759 individuals, of which 27,889, or 16.0 percent are minorities. The minority population is 0.0 percent American Indian, 3.0 percent Asian, 4.0 percent Black, 9.0 percent Hispanic, and 0.0 percent other.

According to 2000 Census Data, the Credit Union's assessment area contained a total population of 172,648 individuals, of which 50,437, or 29.0 percent are minorities. The minority population is 0.0 percent American Indian, 5.0 percent Asian, 6.0 percent Black, 15.0 percent Hispanic, and 3.0 percent other.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

WORCESTER CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **December 2, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 2004 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.